



## Retirement Investors' Club (RIC)

### 457/401a Plans

Look *forward* to retirement!

# Roth 457 Summary

**The Iowa Retirement Investors' Club (RIC) 457/401a program** is an employer-sponsored supplemental retirement savings benefit that provides an easy way for you to save a portion of current wages for future income needs. RIC has no vesting requirements.

***If your employer offers a Roth 457 option in your plan, the following information applies. To determine if the Roth 457 option is available, review your specific plan details at [https://das.iowa.gov/RIC/PSE/plan\\_details](https://das.iowa.gov/RIC/PSE/plan_details).***

**Here's how it works.** Through payroll deductions, RIC participants elect to make pretax and/or post-tax 457 contributions. Contributions may be as little as \$25/month. The total of all 457 contributions may not exceed the IRS annual maximum contribution limits.

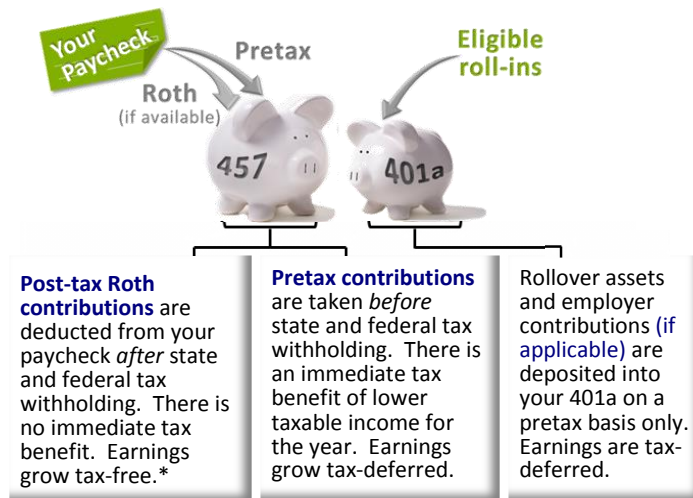
The 401a account accepts eligible pretax roll-in assets from outside retirement savings plans and employer contributions (if available in your plan).

**What is the Roth 457?** The Roth 457 option allows you to save post-tax dollars and potentially accumulate *tax-free* investment earnings for use in retirement.

**Is the Roth 457 right for me?** The answer to that question depends on whether you want to pay taxes on your savings dollars now or later. Some factors to consider include your age, years to retirement, current tax rate/need for tax relief, projected tax rate at retirement (with taxable pension & SS payments), possibility of fewer tax deductions in retirement, and projected earnings. If you are not sure how the Roth 457 option will affect your savings goals, consult with a financial advisor or tax professional.

**What if I want to change my contribution election to post-tax or pretax?** You may change the tax status of your future deductions at any time by simply designating your **total pre &/or post-tax payroll deduction amount per paycheck** on your plan's *RIC Account Form* available on your employer's plan details webpage (see [https://das.iowa.gov/RIC/PSE/plan\\_details](https://das.iowa.gov/RIC/PSE/plan_details)). Pretax and post-tax 457 contributions are accounted for separately by your provider.

**Do Roth distributions have restrictions?** For both pretax and Roth 457 assets, a distributable event must occur in order to take an eligible distribution. 457 plan distributions are not required until you reach age 70½ or retire, whichever is later. Once eligible for distribution, you may take income or roll RIC assets to another retirement account. 457 assets rolled out of RIC are subject to the distribution rules of the receiving plan.



### RIC 457 Plan Distributions

	Pretax	Roth (after-tax)
<b>Distributable Events</b>	<ul style="list-style-type: none"><li>– Separation from employment</li><li>– Attainment of age 70½</li><li>– Approved unforeseeable emergency</li><li>– Eligible cash out</li><li>– Disability</li><li>– Death</li><li>– Service credit purchase</li></ul>	<ul style="list-style-type: none"><li>– Separation from employment</li><li>– Attainment of age 70½</li><li>– Approved unforeseeable emergency</li><li>– Eligible cash out</li><li>– Disability</li><li>– Death</li></ul>
<b>Taxation of Contributions</b>	Subject to federal and most state income taxes	Tax-free
<b>Taxation of Earnings</b>	Subject to federal and most state income taxes	Tax-free if qualified (distributable event has occurred, account is held 5+ years; <b>and</b> participant is age 59½ +, disabled, or deceased).
<b>Required Minimum</b>	Annual payments must begin no later than age 70½, unless still working	

\* Roth earnings are tax-free if a distributable event has occurred, Roth account is held 5+ years, and participant is age 59½ or older, disabled, or deceased.

See additional information on reverse side. ➡

## Can my pretax 457 assets be converted to post-tax Roth in my 457?

Yes, if you meet one of the following:

- Separation from employment
- Attainment of age 70 ½
- Eligibility for small account cash out
- Have pretax 457 roll-in assets from an outside plan

This is a taxable event.

**How does the Roth 457 differ from the Roth IRA?** Unlike the Roth IRA, the Roth 457 offered by your employer is funded through payroll deductions, has no income limit requirements, and has considerably higher annual contribution limits (that do not co-ordinate with the Roth IRA annual limits). Eligibility for distribution from a Roth 457 account differs from the Roth IRA but requirements for qualified (tax-free) distribution of Roth earnings are the same for both the Roth IRA and Roth 457.

### Basic Comparison of 457 and Roth IRA Plan Rules

	457 Plan		Roth IRA
	Pretax	Roth (after-tax)	
<b>Contributions</b>	Pre-tax employee contributions are made with before-tax dollars	Roth employee contributions are made with after-tax dollars	Roth IRA contributions are made with after-tax dollars
<b>2014 Income Limits</b> (Modified AGI)	None		Income limits (2015): – Married \$193,000 – Single \$131,000
<b>2014 Maximum Elective Contributions</b>	Combined employee elective contributions limited to: – \$18,000 – \$24,000 (if age 50+) – \$36,000 if eligible for 3-yr catch-up benefit		Contribution limited to: – \$5,500 – \$6,500 (if age 50+)
<b>Distributable Events</b>	<ul style="list-style-type: none"> <li>– Severance from employment</li> <li>– Attainment of age 70½</li> <li>– Death</li> <li>– Unforeseeable emergency</li> <li>– Cash Out (small accounts)</li> <li>– Purchase of service credits</li> </ul>	<ul style="list-style-type: none"> <li>– Severance from employment</li> <li>– Attainment of age 70½</li> <li>– Death</li> <li>– Unforeseeable emergency</li> <li>– Cash Out (small accounts)</li> </ul>	None required
<b>Taxation of Distributions</b>	Distributions of contributions and earnings are subject to federal and most state income taxes	Distributions of contributions and earnings are tax-free if qualified. A qualified distribution requires:  1. A distributable event 2. Account is held for 5+ yrs; <b>and</b> 3. Participant is age 59½ +, disabled, or deceased.	Distributions of contributions and earnings are tax-free if qualified. A qualified distribution requires:  1. Account is held for 5+ yrs; <b>and</b> 2. Participant is age 59½+, disabled, or deceased.
<b>Required Distributions</b>	Distributions must begin no later than age 70½, unless still working		No requirement to start taking distributions while owner is alive